

NEWSLETTER




February 2011

*Project cost estimating data provided by the
Utah Department of Transportation, Central Preconstruction*







Construction Outlook 2011

There are a myriad of factors that will help determine the pricing for this season's projects as we gear up for the upcoming construction season. "There is very little risk of sustained supply shortages for anything. However, brief periods of tighter supplies for a few items – and price spikes – always occur in a period of rising demand." (Reed Construction Data, December 7, 2010)





Price/Risk Forecast 2011 Legend

	Stable/ Favorable/ Low Risk		Moderate Increase/ Medium Risk
	Moderate Increase/ Higher Risk		

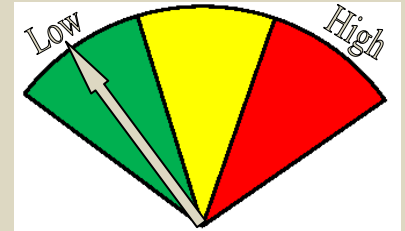
Materials

-  Fuel - Diesel currently \$3.43 rising to \$3.60 - \$3.90 by May 2011
Gasoline currently \$3.11 rising to \$3.50 by May 2011 (Kiplinger 1/28/2011)
-  Crude Oil - Remain steady through early 2011. (Kiplinger 1/28/2011) Some spikes possible.
-  Concrete - Demand dropped dramatically with the fall of housing and commercial construction. Expect cement prices to remain muted. (ODOT 7/23/2010)
-  Aggregate - Prices will remain steady unless fuel costs increase dramatically.
-  Steel - 5% increase by fall 2011. (Kiplinger Letter 1/24/2011)
-  Liquid Asphalt - Expect to be flat for 2011- Supply is expected to be tight when demand for liquid asphalt returns to pre-recession levels, causing prices to rise substantially relative to oil gas and diesel. (ODOT 7/23/2010)

Overall Factors for Construction Prices

-  Competition - Will remain high as contractors compete for the limited amount of work.
-  Economy (national and global) – Emerging economies are growing quickly.
-  Funding – Uncertain federal and limited state funding will limit the number of projects advertised this construction season.
-  Construction Employment – High construction unemployment will keep labor rates stable.

Inflation for 2011 UDOT projects is expected to be about 4 percent, taking all the above factors into account. More details on inflation projections in the next newsletter.



Prices through
April

- ❖ Construction inflation forecast: 4% for 2011 (preliminary)
- ❖ Crude oil pricing: Should be between \$85 and \$95 per barrel for the winter and possibly lower in the spring. (Kiplinger Letter 2/4/2010)
- ❖ UDOT's current estimating challenge: Accuracy
- ❖ Average low bid of engineer's estimate: 85.2% for 2010
- ❖ Estimates below 110% of low bid: 91.5% for 2010
- ❖ Estimates within 10% of low bid: 30.5% (goal 50%) for 2010
- ❖ Recommended mobilization:
 - 2% - 5% for larger projects.
 - 5% - 7% for small projects (less than \$500,000), remote, or complicated projects
- ❖ Recommended traffic control: 1% - 3%

More Information and graphs of current economic conditions at:
<http://www.udot.utah.gov/main/ucowner.gf?n=9804510256831458>

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